



Caterpillar Inc.
100 NE Adams Street
Peoria, Illinois 61629-7310

January 4, 2002

Ms. Gloria Blue
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 Seventeenth Street, NW
Washington, DC 20508

Re: Comments on the U.S. ITC's Recommended Remedy on the Steel Investigation No. TA-201-73 issued December 2001

Dear Ms. Blue:

Caterpillar Inc. ("Caterpillar") provides the following comments on the U.S. International Trade Commission's recommended remedy on the Section 201 steel safeguard investigation.

First, Caterpillar recognizes the financial woes of our domestic steel industry. We are one of the largest consumers of steel, purchasing about 80% of our steel from domestic mills, and one of the largest exporters of products made from American steel. As such we have a vested interest in ensuring that the United States continues to have a healthy steel industry. Hence, we implore the Trade Policy Staff Committee ("TPSC") to ensure that as it fashions remedies targeted at increasing the competitiveness of the U.S. steel industry, it should use equal zeal to preserve the competitiveness of America's steel consuming industries.

Remedies, such as legacy cost relief, tax relief for capital expenditures and access to capital, would go a long way in providing much needed assistance to the domestic steel industry. The benefit of this type of remedy is that it encourages investment and foster growth in the steel industry without adversely affecting the competitiveness of steel consumers. Similarly, emphasis should continue to be put on international negotiations. The U.S. International Trade Commission ("ITC") has attempted to minimize the damage to American consumers of steel slabs by recommending a tariff-rate quota. A similar proposal could be crafted to minimize the impact to American consumers of hot rolled bar.

Second, specific products that are not produced domestically, like Caterpillar's track bar and ripper shank steels, must be excluded from any tariff or quota. We recognize that numerous exclusion requests have been submitted, but if the Presidential remedy is going to include a quota or tariff, products not produced domestically must be excluded. Caterpillar has limited its exclusion requests to items beyond question. Indeed, multiple domestic mills – both integrated and mini-mills – have supported Caterpillar's exclusion requests and stated they are not aware of any domestic sources. Vice Chairman Okun specifically supported Caterpillar's exclusion requests from any tariff. Commissioner Devaney also expressly stated that these products are not produced in the U.S. and no U.S. producer has qualified to produce them.

No objections have been noted on our request for exclusion on ripper shank steel. Even Pennsylvania Steel, the only mill in the country that might be able to become capable of

producing this product has filed "no objection" to our request for exclusion. This concurrence just demonstrates the strength of Caterpillar's two exclusion requests.

A single mill has objected to our request for exclusions on track bar steel – and that objection is limited to the small track bar. Caterpillar worked with this mill for almost five years to develop their capabilities in the production of track bar. The product quality from this mill, however, was chronically unacceptable. Because their assets are the same, there is no reason to expect better quality. We know this because this mill supplies Caterpillar with other less complex products, yet still has the poorest quality of any domestic or foreign steel supplier.

Furthermore, it appears that the single mill objecting to our track bar exclusion request has done so without a careful review of its own capabilities. In November, this mill objected to Caterpillar's exclusion request on ripper shank steel. Less than three weeks later, however, this mill reversed its objection and admitted that it "cannot produce this product at our facility" (see Minimill 201 Coalition's Response to Exclusion Requests Exhibit 2 at Paragraph 4). When an American company explains in detail why it cannot buy a product domestically, baseless objections by a single domestic mill must not outweigh the conclusion of other domestic mills, the ITC and the American purchaser.

Respectfully yours,

/s/ Phillip B. Straub

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